

Message Text

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XMB

DRAFTED BY XMB: K A WICKETT
APPROVED BY EA/TIMBS:REFRITTS
XMB: C E HOUSTON
EB/IFD/ODF:TPARKER
EA/TIMBS:EJCHESKY

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SUBJECT: MEETING BETWEEN EXIMBANK OFFICIALS AND OFFICIALS
OF BANK INDONESIA

1. ON MAY 19, 1978, DR. J.E. ISMAEL, MANAGING DIRECTOR
OF FOREIGN AFFAIRS AND FOREIGN EXCHANGE, BANK INDONESIA,
AND MR. EFFENDI, BANK INDONESIA NEW YORK, MET WITH THE
FOLLOWING EXIMBANK OFFICIALS: MR. CHARLES E. HOUSTON,
VICE PRESIDENT, MR. HOWARD S. TURK, ECONOMIST, MR.
KENNETH A. WICKETT, LOAN OFFICER.

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2. DR. ISMAEL SAID HE REQUESTED THE MEETING IN ORDER TO
DISCUSS THREE ISSUES RELATING TO EXIMBANK'S LENDING POLICIES
THE FIRST ISSUE CONCERNS EXIMBANK'S CUSTOM OF ALLOWING
COMMERCIAL BANKS TO BE REPAID IN THE EARLY MATURITIES WHILE
PERMITTING EXIMBANK TO BE REPAID LAST. DR. ISMAEL EXPLAINED
THAT GOI CAN NOW BORROW ON TERMS OF 7/8 PERCENT OVER LIBOR
FOR EIGHT YEARS. EXIMBANK LOANS, HOWEVER, NORMALLY RE-
QUIRE THAT COMMERCIAL BANKS BE REPAID WITHIN FROM FIVE TO

SEVEN YEARS. DR. ISMAEL ASKED WHETHER EXIMBANK WOULD PERMIT COMMERCIAL BANKS TO BE REPAYED FROM A REPAYMENT SCHEDULE PARALLEL TO EXIMBANK'S IN ORDER TO ALLOW INDONESIA TO TAKE ADVANTAGE OF THE LONGER REPAYMENT TERMS AVAILABLE

FROM COMMERCIAL BANKS. EXAMPLE: COMMERCIAL BANK REPAYMENT IN 16 SEMIANNUAL INSTALLMENTS BEGINNING SIX MONTHS AFTER PROJECT COMPLETION, EXIMBANK REPAYMENT IN 20 SEMI-ANNUAL INSTALLMENTS BEGINNING SIX MONTHS AFTER PROJECT COMPLETION. MR. HOUSTON ANSWERED THAT EXIMBANK WOULD HAVE NO OBJECTION TO SUCH AN ARRANGEMENT.

3. THE SECOND ISSUE CONCERNS COMMITMENT FEES FOR EXIMBANK LOANS. DR. ISMAEL NOTED THAT SUCH COMMITMENT FEES BEGIN TO ACCRUE ON THE DAY EXIMBANK AUTHORIZES A LOAN. DR. ISMAEL ASKED THAT EXIMBANK CHANGE THIS POLICY TO ALLOW GOI TIME TO ARRANGE PRIVATE FINANCING TO SUPPLEMENT THE EXIMBANK LOAN BEFORE THE EXIMBANK COMMITMENT FEE BEGINS TO ACCRUE. MR. HOUSTON SAID HE WOULD DISCUSS DR. ISMAEL'S REQUEST WITH EXIMBANK'S BOARD OF DIRECTORS.

4. THE THIRD ISSUE RELATES TO THE PERCENTAGE SUPPORT BY EXIMBANK OF INDONESIAN PROJECTS. IN THE PAST EXIMBANK RESTRICTED ITS DIRECT LOAN SUPPORT TO 40 PERCENT OF THE UNCLASSIFIED

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U.S. COSTS OF INDONESIAN PROJECTS. DR. ISMAEL ASKED WHETHER EXIMBANK WOULD BE ABLE TO INCREASE THAT LEVEL OF SUPPORT FOR FUTURE INDONESIAN PROJECTS. MR. HOUSTON ANSWERED THAT EXIMBANK'S CURRENT POLICY IS TO LEND FROM 50 TO 85 PERCENT OF THE U.S. COST OF ELIGIBLE PROJECTS DEPENDING ON THE TOTAL TERM OF THE PROJECT, COMMERCIAL BANK LIMITATIONS, FOREIGN COMPETITION, AND OTHER FACTORS.

5. MR. TURK INFORMED DR. ISMAEL THAT EXIMBANK NO LONGER REQUIRES A GOI GUARANTEE OR A GUARANTEE OUTSIDE INDONESIA FOR EXIMBANK'S MEDIUM TERM PROGRAMS INVOLVING SALES TO THE PRIVATE SECTOR IN INDONESIA. MR. TURK THEN ASKED DR. ISMAEL WHETHER THE GUARANTEE OF INDONESIAN COMMERCIAL BANKS WOULD BE AVAILABLE FOR SUCH TRANSACTIONS. DR. ISMAEL RESPONDED THAT EXCEPT FOR A FEW SPECIAL CASES SUCH AS IBRD AND ADB TENDERS, INDONESIAN BANKS ARE NOT ALLOWED TO GUARANTEE FOREIGN OBLIGATIONS.

6. MR. HOUSTON INQUIRED ABOUT THE STATUS OF VARIOUS INDONESIAN PROJECTS AND WAS GIVEN THE FOLLOWING REPLIES: BINTAN ISLAND ALUMINA FACILITY - HAS HIGHEST PRIORITY AND HAS RECEIVED GOI CLEARANCE FOR EXPORT CREDIT FINANCING. FYI - EXIMBANK HAS RECEIVED P.C. APPLICATION FROM KLOCKNER ON THIS PROJECT. BUKIT ASAM COAL PROJECT -

IN FEASIBILITY STUDY STAGE AND PROGRESSING SLOWLY. EAST
KALIMANTAN FERTILIZER PROJECT - MOVING AHEAD. P.T. SEMEN
PADANG - INDARUNG III CEMENT PLANT EXPANSION - NOT FAMILIAR

RADIO TRANSMISSION EQUIPMENT - NOT FAMILIAR. LETJES PULP
AND PAPER PROJECT - MOVING AHEAD. EARTHMOVING EQUIP-
MENT FOR TRANSMIGRATION PROGRAM - MOVING AHEAD. REPLACE-
MENT SATELLITES FOR DOMESTIC SATELLITE COMMUNICATION
PROJECT - NOT FAMILIAR.

7. IN RESPONSE TO A QUESTION FROM MR. WICKETT, DR. ISMAEL
SAID THE PROCEDURE FOR THE CLEARANCE OF INDONESIAN GOVERN-
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MENT TRANSACTIONS IS STILL VERY USEFUL. UNDER THIS
PROCEDURE, EXIMBANK WILL NOT ACCEPT A P.C. APPLICATION
FROM A U.S. SUPPLIER UNTIL EXIMBANK RECEIVES A CLEARANCE
FROM THE MINISTRY OF FINANCE, BAPPENAS, AND BANK
INDONESIA. VANCE

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